GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:112
ANSWERED ON:27.11.2000
PACKAGE FOR SEBS TO SETTLE DUES
LAXMINARAYAN PANDEY;SULTAN SALAHUDDIN OWAISI

Will the Minister of POWER be pleased to state:

(a) whether the Government have announced/proposed to announce any package for those States which are willing to settle their outstanding dues payable by the State Electricity Boards;

(b) if so, the details thereof;

(c) whether a meeting was held between Finance Minister, Power Minister, Chairman of IDBI and other financial institutions in this regard;

(d) if so, the decision taken in the meeting; and

(e) the manner in which the State Electricity Boards are likely to be benefited by this package?

Answer

THE MINISTER OF POWER (SHRI SURESH P. PRABHU)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO.112 TO BE ANSWERED IN TH LOK SABHA ON 27.11.2000 REGARDING PACKAGE FOR SEBs TO SETTLE DUES.

(a) & (b): In July 2000, Government announced a scheme for securitisation of the dues of State Electricity Boards towards the Central Public Sector Undertakings of the Ministry of Power and Department of Coal. The Salient features of the scheme are as under:

(i): The concerned defaulting SEBs would issue bonds to CPSUs of the Ministry of Power and the Department of Coal to cover the principal amount due upto 31.12.1999 or any other mutually accepted date.

(ii) The bonds would be backed by a State Government`s guarantee with specific allocation to be made in the concerned State Government`s Budget for servicing the bonds in the event of the SEBs being unable to do so.

(iii) By way of further comfort to the bond holder, the Central Government would undertake to use the existing authorization to deduct upto 15% of CPA allocations of the State concerned for the purpose of redemption of bonds if the State Government is unable to meet the guarantee obligation.

(iv) The bonds will have tax-free status.

(v) With the above features, the bonds are expected to be tradable in the secondary market and the Central PSUs would have the option to recover their money by selling the bonds in the Secondary market.

(vi) The above facility of issue of guaranteed tax-free bonds by the SEBs will be available only to those SEBs/State Governments who agree to implement a suitable reform package including payment of current dues by the SEB and opening of LC to the extent of 105% of the current dues, adhering to milestone of reforms formulated by the MOP and the setting up of the SERC quickly in the concerned State etc.

(c): No, Sir.

(d): Question does not arise.

(e): As stated in paras (a) & (b), State Electricity Boards by issuing bonds to CPSUs are expected to reduce their outstanding dues which in turn will improve their credit rating in the market. The SEBs will also benefit due to the fact that there is no immediate cash outflow, lower cost of servicing the bonds due to tax exemption as also saving on account of non accrual of surcharge after the date of issue of bonds.